GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:113
ANSWERED ON:26.02.2008
PROTECTION OF INDIAN DIAMOND INDUSTRY
Rawat Shri Bachi Singh

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether Indian diamond polishing and gems and jewellery industry is anticipating stiff pressure and loss of profits due to proposed changes in law governing diamond mining by South Africa Government as well as competition from China;

(b) if so, the steps being taken by the Government to protect the interest of Indian diamond industry;

(c) whether Gems and Jewellery Export Promotion Council has proposed reduction in taxes on the diamond industry;

(d) if so, the details thereof; and

(e) the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI JAIRAM RAMESH)

(a) & (b) No, Sir. However, the Government has taken, inter alia, following policy initiatives to protect the interest of Indian diamond industry -

(i) Export of gems and jewellery, which also includes cut and polished diamonds, has been identified as a thrust sector in the Foreign Trade Policy (2004-09).

(ii) The licencing regime for rough diamonds has been abolished and Customs duty on import of rough diamonds has been reduced to 0%.

(iii) Advance remittances without insisting on bank guarantee for import of rough diamonds have been permitted.

(iv) Duty free import entitlement of consumables, tools, machinery and equipment for metals other than Gold, Platinum shall be 2% and for Gold and Platinum shall be 1% of FOB value of exports during previous financial year. However, for rhodium-plated silver jewellery, entitlement shall be 3%.

(v) Duty free import entitlement of gems and jewellery samples in a financial year upto Rs.300,000/- or 0.25% of the average of last three years export turnover of gems and jewellery items, whichever is lower has been allowed.

(vi) Cutting and polishing has been treated as manufacturing for the purposes of exemption under Section 10A of the Income Tax Act.

(vii) Gems and Jewellery exporters have been allowed to export cut and polished precious and semi-precious stones for treatment and re-import.

(viii) Import duty on cut and polished diamonds has been abolished.

(ix) Income Tax on turnover basis has been introduced for diamond units where profits declared are 8% or more of turnover.Besides, the Government also extends financial assistance for various sales promotion activities undertaken in foreign markets.

(c) & (d) In its pre-budget representation for 2008-09, the Gem and Jewellery Export Promotion Council (GJEPC) has, inter alia, requested for reduction of Customs Duty on machinery for designing and manufacturing of jewellery, exemption of expenditure incurred wholly and solely for official business purposes viz. on conferences, sales promotion and publicity from Fringe Benefit Tax, etc.

(e) The decision of the Government on the above suggestions would be reflected in the Finance Bill, 2008.